MTA “bailout” plan:

# New York transit imposes fare hikes with deeper cuts still to come

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New York’s state Legislature voted Wednesday to provide $2.25 billion in state funding for the New York Metropolitan Transit Authority (MTA). The measure staves off—if only temporarily—a “doomsday” scenario in which the transit authority was preparing to cut bus and subway service, lay off more than 2,000 employees and impose an immediate fare increase of up to 29 percent, with the threat of a further hike that would raise it by as much as 50 percent.

The mass transit system is the largest in the United States, including buses and subways in New York City, as well as commuter lines to the northern and eastern suburbs.

Fare increases and taxes under the new MTA plan will still place a major strain on workers and middle-class people already pummeled by an upsurge in job losses, home foreclosures, and depleted savings. Just as significantly, the plan is heavily funded by payroll and property taxes, which are in turn dependent on a rapid economic recovery.

The bill marks the end of months of paralysis within the state’s political establishment. Fearing an eruption of social protest, local politicians could not agree where or how much of the burden to put on working people, seeking to mitigate or hide the effects on commuters in one region, and to pass the brunt of fare or toll increases onto those in other parts of the state.

The bill, variously described in the media as “hastily drafted” and “chaotic,” will include an increase in the base fare on the city bus and subway of 12.5 percent bringing the cost of a single ride to $2.25. A monthly pass will rise from $81 to $89. Further fare increases of 7.5 percent will take effect in 2011 and 2013.

The plan also calls for a surcharge on taxi rides of 50 cents, a variety of smaller fees including a $25 tax on vehicle registration fees, an increase of at least 25 percent on drivers’ license fees, and a 5 percent rise in car-rental fees

Much of the budget, though, will rely on increased property and payroll taxes for the next year.

The state will impose a new tax of 34 cents on every $100 of payroll in the most populous counties in and closest to New York City, and a lesser amount for counties further away.

Public institutions will be affected by this tax, including schools. Like many American public school systems, those in suburban New York depend heavily on local tax contributions. The bill’s sponsors have promised to exempt school districts by reimbursing them next year, but should the regional economy continue to deteriorate, as seems likely, these promises may well evaporate.

The imposition of smaller taxes and fees, which cumulate in a higher cost of living for millions who are living though the worst economic slump since the great Depression, has been one of the methods by which the New York City administration of billionaire Mayor Michael Bloomberg has dealt with the city’s budget shortfalls.

A 50 cent surcharge on yellow taxi rides will cut into the incomes of the “sharecroppers” of the transportation industry, New York City taxi drivers, who have already been battered by increased fees, state harassment, and, in the last year, high gas prices. In April, hundreds of taxi drivers protested a forecasted $1.00 surcharge that would be used to finance the MTA.

The transit authority has blamed the economic downturn for its $1.2 billion deficit. According to the Associated Press New York capitol editor Michael Gormley, “In January 2008 the MTA benefited from $122.2 million in real estate tax revenue. As the economy started to sour, MTA board budgeted for just $73.4 million in January 2009 then took in less than half that—just $35 million.” He remarks, “No one ever saw the good times ending.”

Nicole Gelinas of the right-wing Manhattan Institute, writing in the *New York Post*, observed, “But taxes could just as easily keep declining by more than the MTA expects. So it's possible that the MTA will end up with a deficit even after all the hikes and be tempted to borrow from next year—something it sought to do last week before the bailout agreement."

Now, it appears that the political establishment in New York is relying on a return to these economic "good times" to fund the MTA. Some bourgeois political and economic advisors are not persuaded by the recent media and political hype that a turning point has been reached in the economic slump. Voices have been raised demanding that the transit problem be solved through a frontal assault on both transit workers and predominantly working class riders.

Long Island's *Newsday* summarized Gelinas's view on the matter: "the bailout fails to address the high cost of labor, including $24 an hour for sales clerks, the inflexibility of labor contracts, and overly generous and unaffordable pensions that workers can collect as early as age 55."

*Crain's New York Business* cited Kathryn Wylde of the business group Partnership for New York City as suggesting that the legislature ought to have added tolls to bridges across the East River that connect Brooklyn and Queens to Manhattan, and through which commuters from those boroughs and from Long Island pass every day.

The MTA faces huge operating expenses and has borrowed a total of $25.5 billion through bond issues to finance repairs to its decaying infrastructure, much of which is nearly a century old. The bill will raise only $400 million this year for the MTA's capital plan, most of which will go to pay interest on bonds.

There is little provision for the rest of the funds for the capital plan. Democratic New York Governor David Paterson remarked: "If we knew how we would pay for it, we would be standing here telling you that right now." Sheldon Silver, the Democratic speaker of the New York State Assembly, suggested that funds could be found to repair and develop the MTA's infrastructure from taxes after the economy improves.

"The capital plan is still largely unfunded," Paul Steely White, the executive director of the advocacy group Transportation Alternatives, noted. "We're going to be back at this juncture again, maybe even before the year is out."

The plan also calls for a shake-up of the MTA's top executives. Elliot Sander, its CEO, has resigned, and Dale Hemmerdinger, its president, is expected to step down when his term expires later this month. Some leaders in the MTA have spoken of a "mass exodus" of officials.

In the final analysis, the MTA budget is captive to the capitalist market, with all its instability and open criminality. Under the new plan, not only will the MTA be heavily dependent on property taxes for its operating expenses—an unreliable proposition—but the maintenance and expansion of the MTA—for which the current proposal makes no provision—will remain linked to the issuance of bonds to rich investors.

As the WSWS noted earlier this year:

"MTA financing has been closely tied to the capital markets and is mired in the rampant criminality that has characterized the operations of some of its biggest players. It raised $470 million in auction-rate bonds in November 2007 through Citigroup. Shortly after, interest rates for these types of bonds, which are set by weekly auctions and are variable, began to climb from 3 to 4 to 8 percent as shifts in the financial markets began to make themselves felt in the wake of the subprime mortgage crisis.

"The MTA had to pay interest to bondholders to the tune of $560,000 a week. According to the *New York Times*, the agency was forced to redeem its bonds at an additional cost of nearly $6 million to bankers and advisors.

"The *Times* notes that Citigroup officials by August 2007 were well aware of trouble brewing in the auction-rate securities market, two months before it helped the MTA invest in them, and quotes one banker's e-mail as saying that 'failed auction frequency is at an all-time high.'

"Citigroup earned a hefty profit from the two sales of bonds. Another beneficiary of this gambling of public funds was Goldman Sachs. As the *Times* noted, 'All told Citigroup earned more than half a million dollars on the two sales; Goldman Sachs, the authority's financial advisor, which counseled in favor of the auction-rate sale, made $929,500 on both.' "

The MTA "bailout"—a punitive and half-baked plan—not only places a burden on the working class in the form of taxes and higher fares, but it exposes the inability of the capitalist profit system to organize mass society and transport millions of people to their jobs in an affordable, safe, expedient, and environmentally responsible manner.